

# EXHIBIT A

SPENCER

CAPITAL

SPENCER CAPITAL  
HOLDINGS PRIMER  
February 2015

**Confidential**

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SPENCER

CAPITAL

EXECUTIVE SUMMARY

## Acquisitions and Affiliations to Date

Spencer Capital Holdings, Ltd. (SCH) is a holding company formed in Bermuda in September 2011. To date, the acquisition strategy has focused on the financial services sector.

SCH acquired Spencer Re, I.L. (Spencer Re, formerly Oceanus), a Class III international insurer domiciled in Puerto Rico, in October 2011. Spencer Re has been licensed in Puerto Rico since 2006 and provides tax efficient reinsurance solutions to auto dealers for finance & insurance (F&I) products including vehicle service contracts (VSCs). Spencer Re operates in reinsuring high-frequency low severity risks.

USA Risk Group (USARG), based in Barre, Vermont, is the world's largest independent captive manager and fourth largest overall. USARG currently serves over 300 clients, holding over \$9 billion assets under management, across 20 domiciles.

Spencer Capital Advisors (SCA) is becoming a registered investment advisor. Together with its affiliate, Spencer Capital Management (SCM), it is the investment manager to SCH. SCM has a 15-year track record as a top 5% investment manager in the United States, with a compounded annual gross return of 13.7% (versus S&P with 4.7%) from November 2000 through December 2014. SCM enables SCH the ability to generate high investment returns over a long period of time. SCM is not a subsidiary of SCH. Both SCM and SCH were founded by Dr. Ken Shubin Stein.

### **SCH anticipates raising \$75 million to complete the acquisition of a leading F&I distribution business (Target) and for general corporate purposes**

- Target is a leading distributor of F&I products serving over 550 dealerships across the US. SCH has executed an LOI with the Target and is currently negotiating the Purchase Agreement. SCH has also signed a commitment letter with a leading underwriter for a credit facility to be used in connection with the acquisition. SCH anticipates closing on this acquisition on February 27<sup>th</sup>, 2015.
- The Target's management team intends to rollover \$25 million of transaction equity proceeds.

## Capital Raise Summary

Issuer	Spencer Capital Holdings Ltd., a Bermuda exempted company	
Type	Private Placement	
Shares	3,750,000 Class A Preference Shares representing ~49% of Spencer Capital Holdings	
Offering Size & Price	\$20.00 per share for total offering of \$75 million, and a \$15 million green shoe	
Use of Proceeds	<ol style="list-style-type: none"><li>1. <u>Acquisition of the Target</u></li><li>2. Support premium growth</li><li>3. General corporate and working capital purposes</li></ol>	

# Spencer Capital Holdings, Ltd.: Financial Highlights

- The proposed capital raise and acquisition of the Target are accretive to SCH's EPS and book value. The acquisition also diversifies SCH's fee income and earning streams.

(\$ in thousands)		2015E	2016P	2017P	2018P	2019P
<b>Consolidated Financial Summary: Post-Capital Raise, Post Acquisition of Target</b>						
Revenue		\$86,028.2	\$133,736.3	\$164,361.4	\$196,800.3	\$232,397.3
EBIT		21,777.5	38,596.9	48,651.7	60,461.1	74,355.6
Net Income Attributable to Controlling Interest - Common Shareholders		\$7,494.7	\$16,520.3	\$24,213.8	\$33,054.2	\$43,651.4
Net Income (Protected Cells)		3,179.4	4,624.3	6,005.5	9,515.2	11,136.0
Combined Net Income		\$10,674.0	\$21,144.6	\$30,219.3	\$42,569.4	\$54,787.3
Equity - Common Shareholders		\$116,441.1	\$133,313.3	\$157,879.0	\$191,308.2	\$235,334.6
Earnings per Share - Common		\$0.97	\$2.15	\$3.15	\$4.30	\$5.68
Book Value per Share - Common		\$15.14	\$17.33	\$20.53	\$24.88	\$30.60

Notes:

- "Net Income Attributable to Controlling Interest - Common Shareholders" represents consolidated earnings of SCH excluding (i) net income from Protected Cells managed by Spencer Re and (ii) portion of the Target's net income attributable to Target's management ownership in the Target.
- "Equity - Common Shareholders" represents SCH's shareholders' equity excluding Protected Cells equity of SCH's subsidiary, Spencer Re.
- 2015E results include nine months results of the Target.



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SPENCER CAPITAL  
HOLDINGS  
*at a glance*

# Timeline



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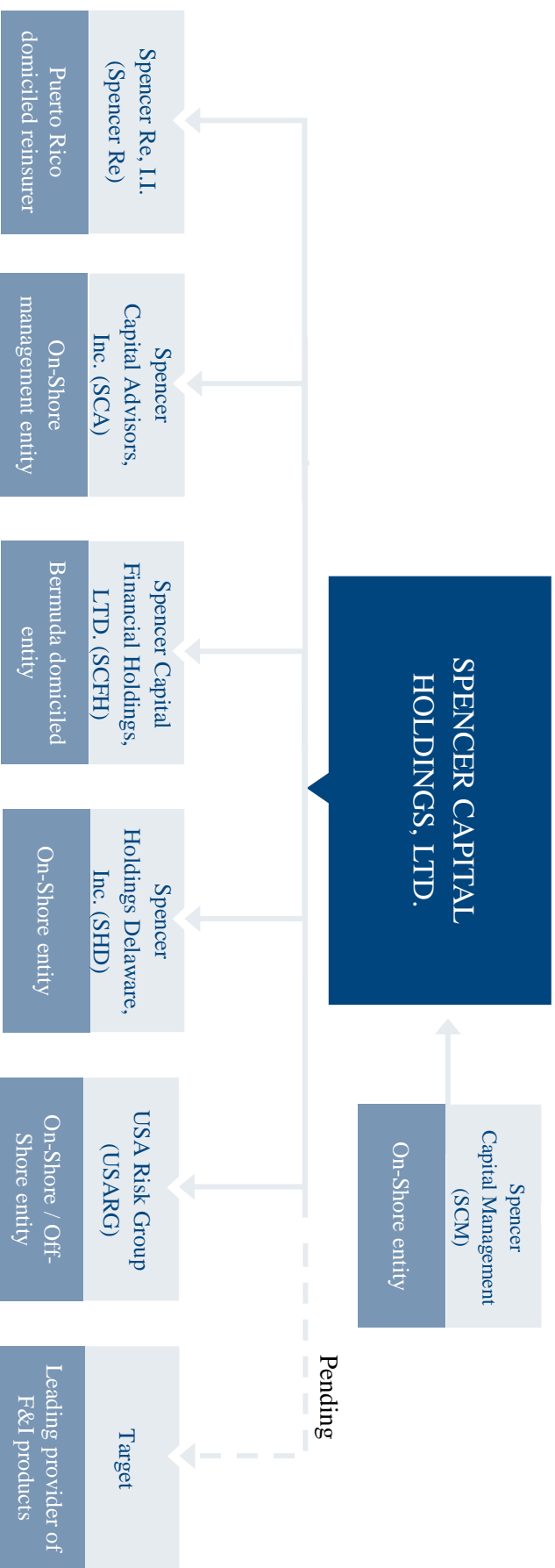
SPENCER RE

USARG RISK GROUP  
INTEGRITY INDEPENDENCE INNOVATION

Target

# Organizational Chart

AS OF FEBRUARY 1<sup>ST</sup> 2015



## Management Bios

### KEN SHUBIN STEIN MD CFA

#### Founder and Chairman

► Dr. Ken Shubin Stein is the Founder, CEO and the Chairman of Spencer Capital Holdings, Ltd. He is also the Portfolio Manager of Spencer Capital Management, LLC. He is a graduate of the Albert Einstein College of Medicine where he completed a 5-year medical and research program with a focus on molecular genetics. He graduated with a B.A. degree from Columbia College with dual concentrations in Premedical Studies and Political Science. Dr. Shubin Stein holds the CFA designation and is an adjunct professor at the Columbia University Graduate School of Business. Dr. Shubin Stein is also Chairman Emeritus of the Manhattan Chapter of YPO and Founder and Chairman of Crutches 4 Kids, a not-for-profit organization dedicated to providing crutches to children in need around the world.

### TINA YOUNGBLOOD PhD CPA

#### CEO of Spencer Re and Vice

#### Chairman of Spencer Capital

#### Holdings

► Prior to joining Spencer, Dr. Youngblood served as the CEO of Cunningham Lindsey US, a claims management company. From 2002 – 2012, she served in various senior management roles and leadership capacities at Zurich Insurance Group, including serving as President of Programs and Direct Markets, the largest business unit in Zurich North America. This \$4 billion business unit included niche programs (e.g., Crop Insurance, Ambulance and other transportation programs, Sovereign Nations, Golf Courses, etc.), the Captives businesses and the franchised auto dealer unit, formerly known as Universal Underwriters Group. In December 2011, she was honored by Business Insurance as one of their 25 Women to Watch. Before joining the Zurich organization, Dr. Youngblood was chief of staff for the Global Partner Affairs leader at PricewaterhouseCoopers, based in New York. From 1992 to 1999, she was a professor in the Department of Accountancy at Miami University, achieving tenure in 1998. She earned a bachelor's degree in accounting and a master's in business administration from Tennessee Tech University and a Ph.D. in accounting from the University of Tennessee.

## Management Bios (cont'd)

### NAZY WEEKS

#### Managing Director

- ▶ Nazi Weeks is responsible for growth of Spencer Capital through acquisitions and corporate development. Prior to joining Spencer, she spent nine years in the venture capital and private equity industry. As a Partner at Clayton Associates and FCA Venture Partners, she lead and executed investments in the financial services, healthcare and technology sectors. In her role as Head of Capital Markets at CapitalSpring, an asset management firm, she was responsible for growing the capital base by over five times and leading strategic acquisitions. Prior to joining the financial sector, she conducted and published research on neural circuitry and hematopoietic stem cells. Ms. Weeks majored in Biomedical Engineering at Duke University with a focus on neuroscience and was awarded the Intel Science Talent Search & Young Scientist Scholarships for her academic and research achievements. Ms. Weeks is a member of the New York Venture Community, Duke Global Entrepreneurship Network, and Young New Yorkers for the Philharmonic.

### BRIAN FELDMAN

#### Executive Vice President of Spencer Re

- ▶ Prior to joining Spencer Re, Brian Feldman was with Allstate Dealer Services where he held the role of National Sales Leader responsible for teams that serviced Allstate's F&I business with large organizations, including automotive manufacturers, their finance captives and dealer groups. Mr. Feldman also led the team that successfully developed new F&I products that launched Allstate into the ancillary F&I marketplace and diversified Allstate's F&I product portfolio. Prior to Allstate, Mr. Feldman was a Reinsurance Specialist at GMAC Insurance and Vice President/Chief Compliance Officer for GMAC Securities. During his time at GMAC Insurance, he held several roles related to the F&I product lifecycle including claim management, product and program development, loss analysis, reinsurance and sales. Mr. Feldman studied automotive collision and technology at Wyoming Technical Institute and has a BS and MS from NLU in Evanston, IL.

## Board Member Bios

### KEN SHUBIN STEIN MD CFA Founder and Chairman

- ▶ Founder, CEO and Chairman of Spencer Capital Holdings, Ltd.

### TINA YOUNGBLOOD PhD CPA Vice Chair and Audit Committee Chair

- ▶ Led the largest business unit for Zurich Financial Services in North America. Prior to Zurich, worked at Pricewaterhouse Coopers and was a tenured professor in the Department of Accountancy at Miami University.

### CHARLES T. AKRE Director

- ▶ Founder and managing member of Akre Capital Management, LLC (ACM). Started in the investment management business at Johnston Lemon & Co. in Washington, D.C., and left in 1989 to start ACM.

### ZEKE ASHTON Director

- ▶ Founder and Managing Partner of Centaur Capital Partners; manages the investments for the Centaur Value Fund, a long-biased, value-oriented private investment firm.

### ALEX ROZEK Director

- ▶ Founder and Managing Member of Boulderado Group, LLC, a private investment partnership.

### GLENN TONGUE Director

- ▶ Managing Partner of T2 Partners and Portfolio Manager of the Deerhaven Fund. Previously worked as Managing Director in Investment Banking at UBS for 10 years.

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SPENCER CAPITAL  
ADVISORS

*at a glance*

# Spencer Capital Advisors and its affiliate, Spencer Capital Management

VALUE-ORIENTED MANAGER INVESTING PRIMARILY ACROSS THREE CATEGORIES

## Generally Undervalued Securities

- ▶ Securities that trade below intrinsic value for which SCA have conviction that the gap between market price and value will close over time



Market Insurance Company



## Special Situations

- ▶ Investment opportunities created by complex situations or by events that obscure a company's earnings power, including spin-offs, liquidations, recapitalizations, etc.



## Activist/Control Opportunities

- ▶ Situations where SCA actively seeks to influence corporate decision making of a company



## Fees paid by SCH to SCM

- ▶ Fixed SCM management fee of \$1 million per year (approx. 35 bps of post-transaction SCH assets)
- ▶ Incentive fee of 25% of profits above an 8% growth in book value per share



## Spencer Capital Track Record

SPENCER CAPITAL MANAGEMENT HAS A 15 YEAR TRACK RECORD OF OUT PERFORMING THE S&amp;P 500

Year	SCM (Gross Returns)	S&P 500 (Dividends Reinvested)
2001	51.1%	-18.0%
2002	30.7%	-22.1%
2003	38.6%	28.7%
2004	16.8%	10.9%
2005	22.9%	4.9%
2006	29.9%	15.8%
2007	-10.7%	5.5%
2008	-56.6%	-37.0%
2009	44.3%	26.5%
2010	18.0%	15.1%
2011	-12.0%	2.1%
2012	28.1%	16.0%
2013	31.4%	32.4%
2014	23.2%	13.7%
Total	514.9%	91.0%
CAGR	13.7%	4.7%

Notes: Spencer Capital Management's returns are audited by Rothstein Kass. Audited financial statements are available on request. Year 2001 results include November and December 2000. Data from November 2000 through December 2002 is for Kenshu previously managed by Dr. Shubin Stein. Gross returns calculated by adding back the expenses/fees paid by investors as listed in the Audited Financial Statements. Nothing in this communication is intended to be a solicitation or a recommendation. The information in this letter is not intended to be a forecast of future events, a guarantee of future results or investment advice. S&P returns sourced from Capital IQ.

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SPENCER RE, I.I.

*at a glance*

## Spencer Re Overview

### SPENCER RE PROVIDES TAX EFFICIENT REINSURANCE SOLUTIONS TO ITS CLIENTS

- ▶ Licensed as the first Class III international insurer in Puerto Rico in 2006, Spencer Re primarily offers reinsurance solutions to auto dealers for VSCs sold to car buyers that provide coverage for certain auto repairs. Spencer Re's reinsurance solutions enable dealers to offer a fully reinsured vehicle service contract to car buyers and, through preferred shareholdings, dealers can realize their underwriting profits and investment income on these contracts. The VSC reinsurance business is typically characterized by:
  - Effective operating leverage (ratio of written premium to statutory capital is 3:1) as well as policies with three to seven year durations that generate investment management float
  - Predictable and non-volatile loss ratios (achieved through aligned profit sharing with our dealers)
- ▶ Returns to common equity are primarily driven by fee income for the program administration and investment management services Spencer Re provides and also from the investment of the premiums. Spencer Re seeks to grow the business organically by attracting more dealers to its reinsurance platform as well as through platform acquisitions. To date, Spencer Re has grown premium in two ways:
  - Organic growth which involves acquiring new written VSC business from signing new dealers.
  - Novation growth which involves Spencer Re using its equity capital to acquire an existing book of business from a dealer at a discounted price. A novation deal then requires the dealer to use Spencer Re for all new written business for the next 5-year period. Going forward, Spencer Re will focus less on novations and more on organic growth and line of business diversification (through the USARG captives).

# Spencer Re Value Proposition

OPPORTUNITIES	STRENGTHS
HIGH RECURRING FEE INCOME	<ul style="list-style-type: none"> <li>➤ 3% program administration fees on premiums (premiums up to 3x equity operating leverage)</li> <li>➤ 2% fees on investment management and performance fees on assets (on 6x asset leverage)</li> </ul>
ATTRACTIVE OPERATING LEVERAGE	<ul style="list-style-type: none"> <li>➤ Premium capacity up to 3x statutory capital</li> <li>➤ Dealer preferred equity counts toward statutory capital – at steady state premium capacity up to 6x common equity</li> </ul>
SIGNIFICANT GROWTH IN FLOAT	<ul style="list-style-type: none"> <li>➤ Significant asset float is created based on duration/term of underlying premium portfolios</li> </ul>
ALIGNMENT OF INTEREST	<ul style="list-style-type: none"> <li>➤ Dealer retains underwriting profit after fees; incented to manage to low combined ratio</li> <li>➤ Historical loss ratio ~66% ensures profitable underwriting standards</li> </ul>
LARGE U.S. WARRANTY MARKET	<ul style="list-style-type: none"> <li>➤ Estimated \$6 billion U.S. industry in annual premiums and over \$10 billion in assets under management, with large number of diversified dealers</li> </ul>
EFFICIENT PLATFORM	<ul style="list-style-type: none"> <li>➤ Low maintenance, simple business flow results in low overhead; few employees compared to market</li> <li>➤ Operating in low tax environments</li> </ul>
PROVEN ASSET MANAGER	<ul style="list-style-type: none"> <li>➤ From November 2000 through December 2014 gross returns of 515% vs. 91% for the S&amp;P 500</li> </ul>
HIGHLY EXPERIENCED MANAGEMENT TEAM AND BOARD MEMBERS	<ul style="list-style-type: none"> <li>➤ High quality Sales Executive with long industry track record and key partner relationships already in place</li> <li>➤ Aligned Board with strong credentials and a wealth of finance/business experience</li> </ul>
POTENTIAL FOR HIGH TRADING MULTIPLES	<ul style="list-style-type: none"> <li>➤ Profitable low-severity insurance business generating recurring fees and investment return potential</li> <li>➤ Estimated long-term annual growth in BVPS from fee business with large incremental upside potential from investment returns</li> </ul>

## Spencer Re Synergies & Competitive Advantages

### CROSS-SELL OPPORTUNITIES AMONG THE SCH SUBSIDIARIES

#### ► Synergies

- The Target – currently a Spencer Re client for partner-owned captives; through the acquisition and growth plan of the Target, Spencer Re will gain access to the dealer network (over 550 current dealers) in addition to new dealers in the expansion territories. This dealer network will add to the growth of the protected cell business.
- USARG – As the manager of \$2.7 billion of annual gross written premium (GWP), USARG provides access to new lines of business for Spencer Re's platform. Spencer Re will expand through careful underwriting and actuarial analysis of historical loss data provided by USARG.

#### ► Competitive Advantages

- Tax advantages (qualified dividends, and Swiss Tax treatment for Federal Excise Tax - 1% per contract savings)
- Flexible investment strategy allowing for higher yields

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USA RISK GROUP

*at a glance*

## USA Risk Group Overview

### USARG IS THE WORLD'S LARGEST INDEPENDENT CAPTIVE MANAGER, FOURTH LARGEST OVERALL

- ▶ Founded in 1981 and headquartered in Barre, VT, USARG has a management team that is comprised of insurance industry veterans who are responsible for writing and developing captive insurance policies.
- ▶ USARG is primarily a provider of onshore and offshore captive management services that include formation, licensing and ongoing management to over 300 clients.
- ▶ USARG has 69 employees with 10 offices and is licensed in 20 domiciles.
- ▶ USARG's core business is captive management of single parent captives, agency captives, group captives, risk retention groups, and special purpose captives.
- ▶ USARG provides placement services for alternative risk and specialty risk programs, and also provides early assessments of captive feasibility, program development including assisting with carrier and reinsurer selection and the structuring of the entity.

## USA Risk Group Synergies & Competitive Advantages

### USARG PRESENTS STRATEGIC OPPORTUNITIES FOR SPENCER RE AND SPENCER CAPITAL ADVISORS

#### ► Synergies

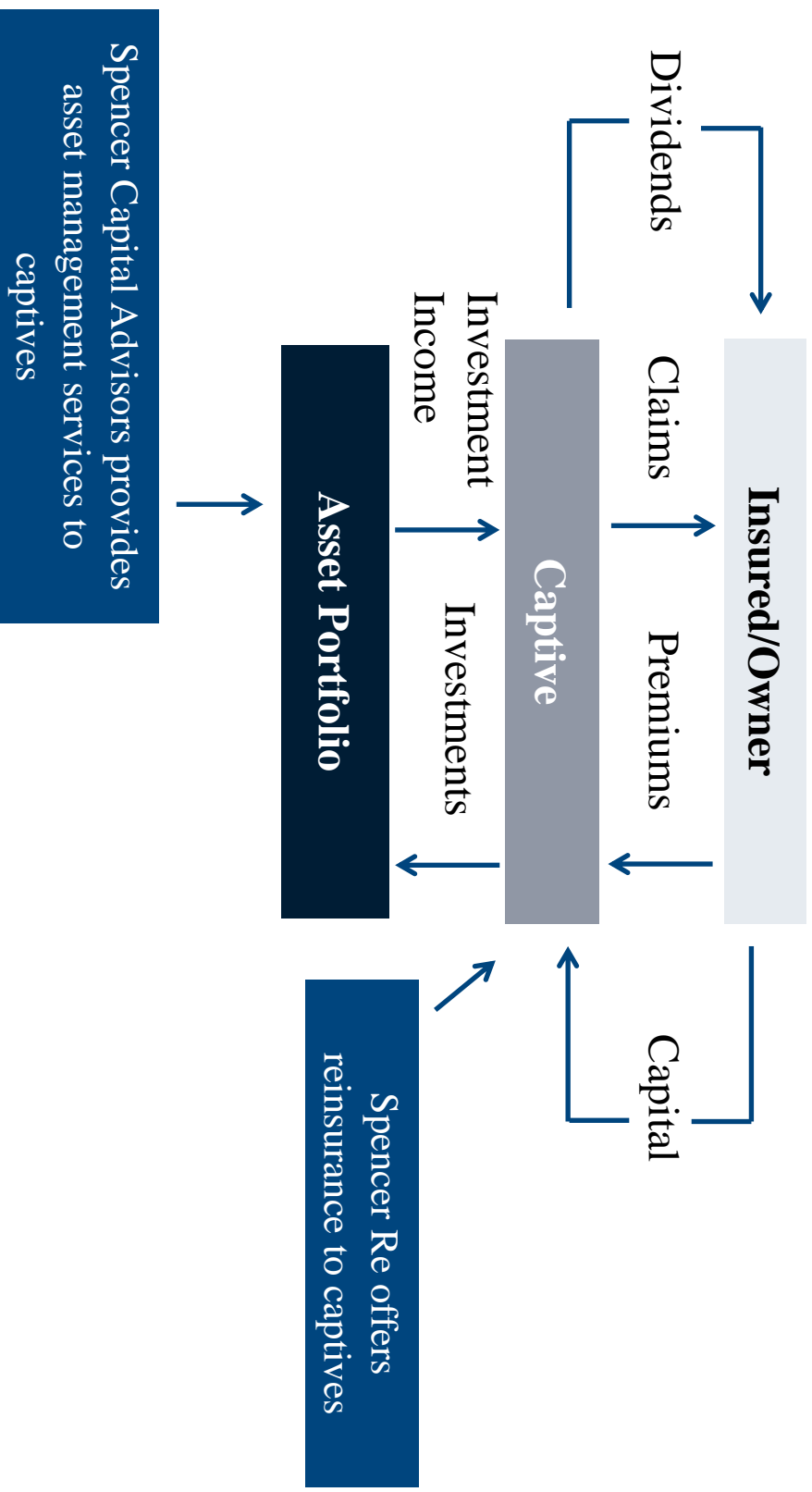
- Existing clients have over \$9 billion in assets, over \$6 billion of which are investable. Asset management opportunities exist for these clients and for the new captives formed each year.
- Currently, these captive assets generate approximately 1% average annual return.
- USARG's relationship with the captives provides Spencer Re with a significant reinsurance opportunity. USARG has complete loss development history for the captives it manages.

#### ► Competitive Advantages

- Experienced staff with very low turnover - a major plus offshore, where many have staff only for 2-3 year permit periods
- No broker conflicts and operates in more locations than other non-broker managers, no domicile steering
- Online capabilities, strong backup procedures along with professional insurance



# USA Risk Group Synergies



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TARGET

*at a glance*

## Overview of the Target

### THE TARGET IS A LEADING PROVIDER OF F&I PRODUCTS SERVING OVER 550 DEALERSHIPS ACROSS THE US

- ▶ The Target is an independent provider of F&I products and services to automobile dealers primarily across the Southwestern and Midwestern portions of the United States
  - The Target offers auto security products, vehicle service contracts, guaranteed asset protection programs and other ancillary F&I products
  - The Target sells its products via two nationally recognized brands, [Redacted]<sup>TM</sup> and [Redacted]
- ▶ The Target has grown significantly over the last several years by meeting the needs of dealers via new products and services, as well as expanding into new territories
  - Currently has a strong dealer network, with over 550 dealerships across the country
- ▶ The Target generated revenue and adjusted EBITDA of \$70.3 million and \$22.8 million, respectively, for estimated FY 2014
- ▶ SCH has executed a letter of intent to acquire a majority interest of the Target for \$170.0 million, or 7.5x estimated TTM November 30, 2014 adjusted EBITDA of \$22.8 million

## Why Target?

### THE TARGET REPRESENTS AN ATTRACTIVE INVESTMENT:

- ▶ *Strategic Fit* – There is a natural strategic fit between Spencer and the Target. The acquisition provides Spencer with opportunities to expand reinsurance services for Spencer Re. In addition, Spencer Capital can increase assets under management through the Target’ dealer captives, in-turn generating additional management fees.
- ▶ *Seasoned and Committed Management* – The Target’s management team averages 10 years with the Target, many with additional experience in the F&I industry. Under the leadership of [Redacted] and the other senior partners, management has operated the business through various business and operating cycles. Management also plans to rollover \$25 million of their transaction equity proceeds into a NewCo controlled by SCH that will be formed to acquire Target.
- ▶ *Existing Relationship* – SCH, through its reinsurance subsidiary, Spencer Re, has been providing reinsurance solutions to captives since 2012.
- ▶ *High Customer Retention* – The Target becomes the outsourced F&I sales training arm for its dealership clients, creating a relationship that is hard to replace and has high switching costs. In addition, the Target offers a full suite of products including a security system that is highly profitable for dealerships and that no other F&I distributor has replicated. As a result, the Target rarely loses a customer and has historically had a high customer retention rate.

## Why Target? (cont'd)

### THE TARGET REPRESENTS AN ATTRACTIVE INVESTMENT:

- ▶ *Low Cost Advantage* – Through its service agreement with [Policy Administrator], the Target has preferential pricing (approximately a 30% discount to market) until 2027, making it a low cost provider of F&I products. This allows for greater synergies with respect to potential acquisitions and better economics with its dealership clients.
- ▶ *Multiple Growth Channels* – The Target has identified multiple areas to accelerate the growth of its business. In 2014, the Target launched a new security product, [Redacted] to access the “highline” market (i.e., luxury automobiles) and develop new dealership relationships. In addition, management has identified several opportunities to expand the business territorially through acquisition. The synergies that the Target can bring to an acquisition candidate (lower cost administration through its [Policy Administrator] agreement and enhanced revenue through cross-selling proprietary security products) make an M&A program highly accretive.
- ▶ *Attractive Financial Returns* – The Target has history of revenue growth, strong cash flow to support acquisitions and service debt as well as low fixed costs.

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FINANCIAL EXHIBITS

# Spencer Capital Holdings, Ltd.: Pro Forma Consolidated Balance Sheet

► The following illustrates the effect of the USARG and the Target acquisitions and the proposed capital raise transaction on SCH's balance sheet as though these transactions were effective as of 12/31/2014.

	Spencer Re		2014A		USA Risk		Pre-Offering		Post-Offering	
(\$ in thousands)	Spencer Re (Protected)	Spencer Re Core	SCH/SCA	(Unaudited)	Transaction	Pro Forma 2014	Offering	Target Transaction <sup>2</sup>	Target <sup>3</sup>	Pro Forma 2014
ASSETS										
Cash & Invested Assets	\$ -	\$12,438.8	\$12,622.2	\$25,061.0	(\$9,166.6)	\$15,894.4	\$75,000.0	(\$60,500.0)	\$750.0	\$31,144.4
Deferred Acquisition Costs	-	726.7	-	726.7	-	726.7	-	-	-	726.7
Other Current Assets	-	2,681.2	25.1	2,706.3	-	2,706.3	-	-	9,962.0	12,668.3
Fixed Assets	-	-	-	-	455.5	455.5	-	-	950.0	1,405.5
Goodwill & Intangibles	-	-	52.6	52.6	20,000.0	20,052.6	-	162,721.0	-	182,773.6
Protected Cell Assets	61,493.1	-	-	61,493.1	-	61,493.1	-	-	-	61,493.1
TOTAL ASSETS	\$61,493.1	\$15,846.8	\$12,699.9	\$90,039.7	\$11,289.0	\$101,328.7	\$75,000.0	\$102,221.0	\$11,662.0	\$290,211.7
LIABILITIES										
Unearned Premium Reserve	\$ -	\$1,320.3	\$ -	\$1,320.3	\$ -	\$1,320.3	\$ -	\$ -	\$ -	\$1,320.3
Claims Reserves	-	2,013.5	-	2,013.5	-	2,013.5	-	-	-	2,013.5
Other Current Liabilities <sup>1</sup>	-	466.4	257.0	723.4	-	723.4	-	-	4,383.0	5,106.4
Long-term Debt	-	-	-	-	-	-	-	88,000.0	-	88,000.0
Protected Cell Liabilities <sup>1</sup>	54,702.9	-	-	54,702.9	-	54,702.9	-	-	-	54,702.9
TOTAL LIABILITIES	\$54,702.9	\$3,800.2	\$257.0	\$58,760.1	\$0.0	\$58,760.1	\$0.0	\$88,000.0	\$4,383.0	\$151,143.1
EQUITY										
Equity (Protected Cells)	\$6,790.1	\$0.0	\$0.0	\$6,790.1	\$0.0	\$6,790.1	\$0.0	\$0.0	\$0.0	\$6,790.1
Common Equity	-	12,046.6	12,442.9	24,489.5	11,289.0	35,778.5	75,000.0	(9,256.0)	7,279.0	108,801.5
Noncontrolling Interest	-	-	-	-	-	-	-	23,477.0	-	23,477.0
TOTAL EQUITY	\$6,790.1	\$12,046.6	\$12,442.9	\$31,279.6	\$11,289.0	\$42,568.6	\$75,000.0	\$14,221.0	\$7,279.0	\$139,068.6

Notes:

<sup>1</sup> Allocation of Protected Cell and Other Current Liabilities adjusted by \$39.4K such that preferred and common equity balances match unaudited financial statements.

<sup>2</sup> Noncontrolling Interest represents \$25.0 million rollover equity less proportionate share of fees and expenses.

<sup>3</sup> Based on pro forma estimated closing balance sheet.

## Spencer Capital Holdings, Ltd.: Summary of Capital Raise

- The following illustrates the pro forma ownership of SCH following completion of the \$75 million capital raise (excluding \$15 million green shoe) and after taking into effect the completion of the USARG transaction

(\$ in thousands)	Current		Share Offering		Post-Offering	
	2014	Amount	Shares	Pro Forma	2014	%
<b>Shares Outstanding</b>						
Current Shareholders	3,031,610			-	3,031,610	39.4%
Sellers of USARG	909,091			-	909,091	11.8%
Capital Raise	-	\$ 75,000.0	3,750,000		3,750,000	48.8%
	<b>3,940,701</b>	<b>\$ 75,000.0</b>	<b>3,750,000</b>		<b>7,690,701</b>	<b>100.0%</b>

- The table below illustrates various price-to-earnings and price-to-book value statistics for SCH assuming completion of the capital raise at \$20.00 per share and consummation of the acquisition of the Target

	2014 <sup>1</sup>	2015E	2016P	2017P	2018P	2019P
EPS	NM	\$0.97	\$2.15	\$3.15	\$4.30	\$5.68
Book Value per Share	\$14.15	\$15.14	\$17.33	\$20.53	\$24.88	\$30.60
Price / EPS	NM	20.5x	9.3x	6.4x	4.7x	3.5x
Price / Book Value Per Share	1.4x	1.3x	1.2x	1.0x	0.8x	0.7x

Note: 2014 book value per share based on pro forma book value as of 12/31/2014.



# Spencer Capital Holdings, Ltd.:

## Financial Projections (Post-Capital Raise, Post-Acquisition of Target)

► The following illustrates the consolidated financial results of SCH assuming completion of \$75 million capital raise and consummation of the acquisition of the Target

	2015E	2016P	2017P	2018P	2019P
(\$ in thousands)					
<b>Revenue</b>					
Premiums Written (Non-Protected Cells)	\$15,000.0	\$30,000.0	\$45,000.0	\$60,000.0	\$75,000.0
Change in UEPR	(7,103.9)	(7,037.9)	(7,037.9)	(7,500.0)	(7,500.0)
Total Premium Income (Non-Protected Cells)	\$7,896.1	\$22,962.1	\$37,962.1	\$52,500.0	\$67,500.0
Insurance Commissions & Fees	\$73,489.4	\$102,785.7	\$113,538.8	\$125,419.2	\$138,457.8
Asset Management Fees	3,689.1	6,080.8	9,552.2	13,523.5	18,459.5
Total Fee Income	\$77,178.5	\$108,866.5	\$123,091.0	\$138,942.7	\$156,917.3
Investment Income (Net)	953.7	1,907.7	3,308.4	5,357.6	7,980.0
<b>Total Revenue</b>	<b>\$86,028.2</b>	<b>\$133,736.3</b>	<b>\$164,361.4</b>	<b>\$196,800.3</b>	<b>\$232,397.3</b>
<b>Expenses</b>					
Loss & LAE Expenses	\$7,140.1	\$20,705.2	\$34,205.2	\$47,250.0	\$60,750.0
Cost of Goods Sold	28,253.5	41,011.8	44,698.7	48,728.2	53,114.7
Operating Expenses	31,303.5	38,706.9	42,513.1	46,524.8	50,833.8
<b>Total Expenses</b>	<b>\$66,697.2</b>	<b>\$100,423.8</b>	<b>\$121,417.0</b>	<b>\$142,503.0</b>	<b>\$164,698.6</b>
<b>EBIT before Acquisitions</b>	<b>\$19,331.0</b>	<b>\$33,312.5</b>	<b>\$42,944.5</b>	<b>\$54,297.3</b>	<b>\$67,698.7</b>
Acquired EBIT	2,446.5	5,284.4	5,707.2	6,163.8	6,656.9
<b>EBIT</b>	<b>\$21,777.5</b>	<b>\$38,596.9</b>	<b>\$48,651.7</b>	<b>\$60,461.1</b>	<b>\$74,355.6</b>
Interest Expense	4,587.5	6,412.8	5,236.6	4,484.9	3,578.1
<b>Pre-Tax Income</b>	<b>\$17,190.0</b>	<b>\$32,184.2</b>	<b>\$43,415.0</b>	<b>\$55,976.2</b>	<b>\$70,777.6</b>
Taxes	6,501.4	10,469.4	13,031.5	15,781.2	18,908.8
<b>Net Income</b>	<b>\$10,688.7</b>	<b>\$21,714.8</b>	<b>\$30,383.5</b>	<b>\$40,194.9</b>	<b>\$51,868.7</b>
Less: Attributed to Noncontrolling Interest	(3,194.0)	(5,194.4)	(6,169.7)	(7,140.8)	(8,217.4)
<b>Net Income Attributable to Controlling Interest - Common Shareholders</b>	<b>\$7,494.7</b>	<b>\$16,520.3</b>	<b>\$24,213.8</b>	<b>\$33,054.2</b>	<b>\$43,651.4</b>
Net Income (Protected Cells)	3,179.4	4,624.3	6,005.5	9,515.2	11,136.0
<b>Combined Net Income</b>	<b>\$10,674.0</b>	<b>\$21,144.6</b>	<b>\$30,219.3</b>	<b>\$42,569.4</b>	<b>\$54,787.3</b>
<b>Earnings per Share - Common</b>	<b>\$0.97</b>	<b>\$2.15</b>	<b>\$3.15</b>	<b>\$4.30</b>	<b>\$5.68</b>

Note: 2015E results include nine months results for the Target.

Spencer Capital Holdings, Ltd.:

Projected Balance Sheets

(Post-Capital Raise, Post-Acquisition of Target)

	2015E	2016P	2017P	2018P	2019P
(\$ in thousands)					
<b>ASSETS</b>					
Cash & Invested Assets	\$44,749.2	\$68,305.5	\$112,415.0	\$167,553.3	\$231,246.3
Deferred Acquisition Costs	929.9	1,027.5	1,125.0	1,500.0	1,875.0
Other Current Assets	12,902.4	15,372.2	18,017.3	20,750.3	23,677.9
Fixed Assets	1,566.8	1,733.4	1,850.1	1,931.7	1,988.9
Goodwill & Intangibles	196,686.1	196,686.1	196,686.1	196,686.1	196,686.1
Protected Cell Assets	76,429.7	111,733.2	157,631.8	230,137.4	315,448.8
<b>TOTAL ASSETS</b>	<b>\$333,264.1</b>	<b>\$394,857.9</b>	<b>\$487,725.3</b>	<b>\$618,558.8</b>	<b>\$770,923.0</b>
<b>LIABILITIES</b>					
Unearned Premium Reserve	\$8,424.2	\$15,462.1	\$22,500.0	\$30,000.0	\$37,500.0
Claims Reserves	6,738.5	19,563.5	37,788.5	58,713.5	80,313.5
Other Current Liabilities	6,383.8	7,008.3	7,698.7	8,443.3	9,251.3
Long-term Debt	92,175.8	75,912.0	66,192.0	54,780.5	39,681.5
Protected Cell Liabilities	66,460.2	97,139.4	137,032.5	200,022.9	274,198.3
<b>TOTAL LIABILITIES</b>	<b>\$180,182.4</b>	<b>\$215,085.4</b>	<b>\$271,211.8</b>	<b>\$351,960.2</b>	<b>\$440,944.6</b>
<b>EQUITY</b>					
Equity (Protected Cells)	\$9,969.5	\$14,593.8	\$20,599.3	\$30,114.5	\$41,250.5
Common Equity	116,441.1	133,313.3	157,879.0	191,308.2	235,334.6
Noncontrolling Interest	26,671.0	31,865.5	38,035.2	45,176.0	53,393.3
<b>TOTAL EQUITY</b>	<b>\$153,081.6</b>	<b>\$179,772.5</b>	<b>\$216,513.5</b>	<b>\$266,598.7</b>	<b>\$329,978.4</b>
<i>Book Value per Share - Common</i>	<i>\$15.14</i>	<i>\$17.33</i>	<i>\$20.53</i>	<i>\$24.88</i>	<i>\$30.60</i>

# Assumptions

(\$ in thousands)					
Spencer Re (Protected Cells)					
	2015	2016	2017	2018	2019
Annual New Business Production	\$20,000.0	\$25,000.0	\$30,000.0	\$35,000.0	\$40,000.0
Total Premiums Written	42,435.0	69,556.7	103,034.6	143,186.3	190,345.6
Loss Ratio	74.0%	74.0%	74.0%	74.0%	74.0%
Investment Yield	6.0%	6.0%	6.0%	6.0%	6.0%
Admin Fees (% of Written Premium)	1.0%	1.0%	1.0%	1.0%	1.0%
Investment Management Fees (paid to Core Account)	2.0%	2.0%	2.0%	2.0%	2.0%
Spencer Re (Non-Protected Cells / Core Account)					
	2015	2016	2017	2018	2019
Annual New Business Production	\$15,000.0	\$15,000.0	\$15,000.0	\$15,000.0	\$15,000.0
Total Premiums Written	15,000.0	30,000.0	45,000.0	60,000.0	75,000.0
Loss Ratio	90.0%	90.0%	90.0%	90.0%	90.0%
Expense Ratio	5.0%	5.0%	5.0%	5.0%	5.0%
Investment Yield	6.0%	6.0%	6.0%	6.0%	6.0%
Spencer Capital Advisors / Spencer Capital Holdings					
Assets Under Management (Third-Party):					
	2015	2016	2017	2018	2019
USA Risk's Client Base: Total Market	\$7,235,742.1	\$8,041,608.4	\$8,943,987.9	\$9,949,843.3	\$11,070,950.2
% Penetration	2.0%	4.0%	6.0%	8.0%	10.0%
AUM - USA Risk Clients	\$144,714.8	\$321,664.3	\$536,639.3	\$795,987.5	\$1,107,095.0
AUM - Other Clients	-	-	50,000.0	75,000.0	100,000.0
Total AUM	\$144,714.8	\$321,664.3	\$586,639.3	\$870,987.5	\$1,207,095.0
Investment Management Fees (%)	1.0%	1.0%	1.0%	1.0%	1.0%
USA Risk Group					
	2015	2016	2017	2018	2019
Growth Rate	11.5%	11.0%	11.0%	11.1%	11.1%
EBIT Margin	14.6%	17.4%	20.2%	22.8%	25.4%
Target					
	2015	2016	2017	2018	2019
Growth Rate	11.6%	9.5%	9.6%	9.6%	9.5%
EBIT Margin	31.9%	32.8%	33.6%	34.4%	35.2%

## Assumptions

THE FOLLOWING ARE ASSUMPTIONS THAT ARE NOT REFLECTED IN THE FINANCIAL PROJECTIONS BUT THAT COULD HAVE A MATERIAL POSITIVE IMPACT ON FORECASTED RESULTS.

▶ SCA

- Performance-based investment management fees for Spencer Re's Protected Cell clients
- Performance-based investment management fees for third-party clients

▶ The Target

- Territorial expansion through platform acquisitions identified by management
- Refinancing of credit facilities following a completed audit cycle of the Target

## Financial Metrics

(\$ in thousands)		2015E	2016P	2017P	2018P	2019P
Financial Metrics						
EBIT Margin						
Spencer Re, I.L. (Core Account)		NM	NM	0.9%	4.9%	7.6%
SCA		NM	NM	23.3%	35.4%	43.6%
USA Risk Group		14.6%	17.4%	20.2%	22.8%	25.4%
Target		35.0%	38.9%	39.7%	40.4%	41.1%
Combined Post-Offering		25.3%	28.9%	29.6%	30.7%	32.0%
Net Income Margin						
Spencer Re, I.L. (Core Account)		NM	NM	0.9%	4.7%	7.3%
SCA		NM	NM	15.5%	23.5%	29.0%
USA Risk Group		12.1%	14.4%	16.7%	18.8%	20.9%
Target		18.4%	19.8%	21.5%	22.7%	23.9%
Combined Post-Offering		12.4%	16.2%	18.5%	20.4%	22.3%
Return on Equity						
Spencer Re, I.L. (Core Account)		NM	NM	2.2%	10.7%	14.0%
SCA		NM	NM	4.9%	9.8%	14.4%
USA Risk Group		77.1%	53.8%	42.8%	36.3%	31.9%
Target		16.5%	16.9%	16.9%	16.6%	16.2%
Combined Post-Offering		6.7%	13.2%	16.6%	18.9%	20.5%

## Financial Metrics (cont'd)

(\$ in thousands)		2015E	2016P	2017P	2018P	2019P
<b>Financial Metrics</b>						
<b>Revenue Growth</b>						
Spencer Re, I.L. (Core Account)		204.0%	183.4%	66.5%	40.1%	30.3%
SCA	NM		65.3%	61.1%	41.5%	35.2%
USA Risk Group	11.5%	11.0%	11.0%	11.1%	11.1%	11.1%
Target	11.6%	9.5%	9.6%	9.6%	9.6%	9.5%
Combined Post-Offering	NM	55.5%	22.9%	19.7%	18.1%	
<b>EBIT Growth</b>						
Spencer Re, I.L. (Core Account)	NM	NM	NM	NM	637.0%	101.8%
SCA	NM	NM	NM	NM	115.1%	66.7%
USA Risk Group	298.5%	32.4%	28.5%	25.6%	23.4%	23.4%
Target	28.0%	21.8%	11.7%	11.3%	11.3%	11.3%
Combined Post-Offering	NM	77.2%	26.1%	24.3%	23.0%	
<b>Net Income Growth</b>						
Spencer Re, I.L. (Core Account)	NM	NM	NM	NM	637.0%	101.8%
SCA	NM	NM	NM	NM	113.9%	67.3%
USA Risk Group	244.2%	32.4%	28.5%	25.6%	23.4%	23.4%
Target	NM	18.2%	18.8%	15.7%	15.1%	15.1%
Combined Post-Offering	NM	120.4%	46.6%	36.5%	32.1%	
<b>Debt to EBITDA</b>						
Target	3.3x	2.2x	1.8x	1.3x	0.8x	

## Financial Metrics (cont'd)

(\$ in thousands)		2015E	2016P	2017P	2018P	2019P
Financial Metrics						
% of Revenues						
Combined Pre-Offering						
Premium Income		29.1%	48.2%	54.2%	56.2%	56.6%
Fee Income		67.4%	48.1%	41.3%	38.2%	36.8%
Investment Income		3.5%	3.7%	4.5%	5.6%	6.6%
Combined Post-Offering						
Premium Income		9.2%	17.2%	23.1%	26.7%	29.0%
Fee Income		89.7%	81.4%	74.9%	70.6%	67.5%
Investment Income		1.1%	1.4%	2.0%	2.7%	3.4%

## Financial Projections of the Target

- The following illustrates the financial projections of the Target assuming only organic growth in its core business and certain tuck-in acquisitions in 2015 (representing approximately \$5.0 million in annualized EBIT) that already have been identified by management. No additional acquisitions in 2016 – 2019 have been included in this illustration.

	(\$ in thousands)				
	2015E	2016P	2017P	2018P	2019P
<b>Total Revenue</b>	<b>\$78,488.7</b>	<b>\$85,964.5</b>	<b>\$94,195.8</b>	<b>\$103,208.4</b>	<b>\$113,008.7</b>
<b>Expenses</b>					
Cost of Goods Sold	\$37,671.4	\$41,011.8	\$44,698.7	\$48,728.2	\$53,114.7
G&A Expenses	15,770.1	16,755.4	17,816.3	18,947.5	20,151.0
<b>Total Expenses</b>	<b>\$53,441.5</b>	<b>\$57,767.2</b>	<b>\$62,515.0</b>	<b>\$67,675.8</b>	<b>\$73,265.7</b>
<b>EBIT before Acquisitions</b>	<b>\$25,047.2</b>	<b>\$28,197.3</b>	<b>\$31,680.8</b>	<b>\$35,532.7</b>	<b>\$39,743.0</b>
Acquired EBIT	2,446.5	5,284.4	5,707.2	6,163.8	6,656.9
<b>EBIT</b>	<b>\$27,493.7</b>	<b>\$33,481.8</b>	<b>\$37,388.0</b>	<b>\$41,696.5</b>	<b>\$46,399.8</b>
Interest Expense	4,587.5	6,412.8	5,236.6	4,484.9	3,578.1
<b>Pre-Tax Income</b>	<b>\$22,906.2</b>	<b>\$27,069.0</b>	<b>\$32,151.4</b>	<b>\$37,211.5</b>	<b>\$42,821.8</b>
Taxes	8,475.3	10,015.5	11,896.0	13,768.3	15,844.1
<b>Net Income</b>	<b>\$14,430.9</b>	<b>\$17,053.4</b>	<b>\$20,255.4</b>	<b>\$23,443.3</b>	<b>\$26,977.7</b>
Less: Attributed to Noncontrolling Interest	(4,395.6)	(5,194.4)	(6,169.7)	(7,140.8)	(8,217.4)
<b>Net Income Attributable to Controlling Interest</b>	<b>\$10,035.3</b>	<b>\$11,859.0</b>	<b>\$14,085.6</b>	<b>\$16,302.5</b>	<b>\$18,760.4</b>

Note: 2015E represents full year earnings of the Target with Acquired EBIT representing 6 month's of annualized acquired EBIT.



## Projected Balance Sheets of the Target

- ▶ The following illustrates the projected balance sheets of the Target. As part of the acquisition, SCH intends to borrow up to \$98<sup>(1)</sup> million in term loans and revolving credit to effect the transaction. Total leverage is 4.0x as of the closing date with leverage decreasing to 3.3x by the end of 2015 and 2.2x by the end of 2016 based on current projections.
- ▶ The credit facilities are being led by [Debt Capital Provider], an experienced lender in the F&I industry.

	(\$ in thousands)				
	2015E	2016P	2017P	2018P	2019P
<b>ASSETS</b>					
Cash & Invested Assets	\$750.0	\$839.7	\$10,671.6	\$21,978.8	\$33,101.4
Other Current Assets	10,927.8	11,879.4	12,927.9	14,075.3	15,323.5
Fixed Assets	1,111.3	1,277.9	1,394.5	1,476.2	1,533.3
Goodwill & Intangibles	176,633.5	176,633.5	176,633.5	176,633.5	176,633.5
<b>TOTAL ASSETS</b>	<b>\$189,422.5</b>	<b>\$190,630.5</b>	<b>\$201,627.5</b>	<b>\$214,163.7</b>	<b>\$226,591.6</b>
<b>LIABILITIES</b>					
Current Liabilities	\$4,760.8	\$5,179.0	\$5,640.6	\$6,145.2	\$6,694.4
Long-term Debt	92,175.8	75,912.0	66,192.0	54,780.5	39,681.5
<b>TOTAL LIABILITIES</b>	<b>\$96,936.5</b>	<b>\$81,091.0</b>	<b>\$71,832.7</b>	<b>\$60,925.7</b>	<b>\$46,375.9</b>
<b>TOTAL EQUITY</b>	<b>\$92,486.0</b>	<b>\$109,539.4</b>	<b>\$129,794.8</b>	<b>\$153,238.1</b>	<b>\$180,215.8</b>

(1) Note: subject to final credit agreement.